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FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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In the Matter of	)	
	)	
Implementation of the Local	)	CC Docket No. 96-98
Competition Provisions in the	)	
Telecommunications Act of 1996	)	

LCI INTERNATIONAL TELECOM CORP. COMMENTS ON IMPLEMENTATION OF THE INTERCONNECTION AND LOCAL COMPETITION PROVISIONS OF THE TELECOMMUNICATIONS ACT OF 1996

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SUMMARY

LCI International Telecom Corp. ("LCI") strongly endorses the adoption of a total service long run incremental cost ("TSLRIC") standard to be implemented by the state regulatory bodies in setting rates for incumbent local exchange carrier ("ILEC") interconnection and unbundled network elements.

LCI is, however, mindful that, because the ILECs control the data necessary to establish TSLRIC rates, they have the incentive and the ability to delay the establishment of reasonable rates by gaming the state regulatory process. The Commission should therefore convene a Federal-State Joint Board to establish a set of TSLRIC-based rate ceilings for interconnection and network elements that will apply nationwide. The Joint Board should be charged with establishing these rate ceilings by November of this year, so that implementation of Section 251(c) will not be unduly delayed.

The Commission should similarly set a ceiling on ILEC wholesale rates established under Section 251(c)(4). In computing ILEC wholesale rates, all costs associated with marketing, customer support and sales, and the overhead loadings associated with such costs, must be excluded. Using available ARMIS data, and in conjunction with a Joint Board, the Commission should compute a cost-based percentage reduction that will apply to all ILEC services in order to derive a wholesale rate.

The Commission must find that long distance carriers are fully empowered under the Act to employ interconnection, unbundled ILEC network elements or resale to provide services to their customers. Established tenets of statutory construction compel this conclusion,

and any decision that excluded long distance carriers as a class from pursuing interconnection under the Act would constitute reversible error.

LCI's experience in attempting to negotiate interconnection arrangements with ILECs and in attempting to obtain exchange access from ILECs on a timely basis has been marred by excessive delays and service interruptions. In order to prevent ILECs from discriminating against competitors by providing them inferior service, the Commission must establish detailed and enforceable standards governing the quality of ILEC services.

The Commission must establish detailed national standards for ILEC interconnection and network unbundling, including: 1) requiring the unbundling of ILEC loops at all points of aggregation; 2) disaggregating specific switching functions and database access; and 3) unbundling signaling, including access to all Signaling System 7 and Advanced Intelligent Network elements. The 1996 Act requires that carriers be able to purchase these elements separately or together.

In order to detect and deter anticompetitive discrimination against competitive carriers, the Commission must require ILECs to file detailed reports that compare the quality of service they provide competitors, non-competing customers, and affiliates and partners. Equally important, the Commission must enforce these standards by imposing increasingly severe fines for ongoing violations.

The Commission must prohibit ILEC's from imposing unreasonable preconditions to negotiating interconnection. Specifically, compulsory nondisclosure agreements, and restrictive definitions of what constitutes a "bona fide request" for interconnection must be rejected.

The Commission should establish a "fresh look" policy for competitive local services. Competitors have been excluded from the local services market, and will continue to be, until the procompetitive provisions of the 1996 Act are fully implemented. In the meantime, ILECs are aggressively enticing local service customers to sign long-term service contracts in an attempt to lock up the market following implementation of the Act. When an identical situation arose following the implementation of mandatory central office collocation, the Commission has already found that, in such cases, customers should have the right to terminate long term contracts without substantial termination penalties for a six-month period after competition becomes available. The Commission should adopt the same program in the instant proceeding.

The Commission should interpret the Act's pricing standards for interconnection and reciprocal compensation consistently. That can be accomplished by adopting a TSLRIC costing methodology for both.

The Commission should support mandatory tariffing at the state level for all ILEC rates, terms and conditions for interconnection and mutual compensation. On a going-forward basis, new arrangements should be tariffed within 15 days after they are established. Such agreements should be available to all carriers, without requiring that such carriers be "similarly situated."

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LCI International Telecom Corp. ("LCI"), by its undersigned counsel, and pursuant to the Federal Communications Commission (the "Commission") Notice of Proposed Rulemaking ("NPRM") of April 19, 1996,[1] hereby submits its Comments in the above-captioned proceeding.

I. INTRODUCTION

LCI is a rapidly-growing long distance carrier that employs an all-digital fiber optic network to originate switched and dedicated long distance traffic in all 50 states. Founded in 1983, LCI has pursued a plan of aggressive entry into new product and geographic markets,

1 *Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, CC Docket No. 96-98, FCC 96-182, released April 19, 1996 ("NPRM").

and has achieved one of the highest internal revenue growth rates of any telecommunications company in the United States. During this process of aggressive growth, however, LCI has encountered enormous resistance from certain incumbent local exchange carriers ("ILECs"), who have been unwilling or unable to respond in a reasonably timely manner to LCI's requests for service. Moreover, LCI fully anticipates that, as ILECs become more involved in the provision of long distance service and compete more directly against long distance carriers, the level of disputes over ILEC service provisioning will increase.

As LCI explains below, its experience with ILECs provides compelling evidence that, in implementing the Telecommunications Act of 1996 ("1996 Act"), the Commission must establish explicit and expansive standards governing ILEC provisioning and pricing of service to long distance carriers and other competitors. In the absence of such standards, competitive service providers will be forced to engage in endless litigation over excessive deployment delays, unacceptable and discriminatory service quality, and excessive rates. Such a result would severely and unnecessarily tax the resources of competitive carriers, and would constitute a significant barrier to entry that disserves the public interest and violates the 1996 Act.

II. THE COMMISSION MUST PRESCRIBE PRICING STANDARDS FOR INTERCONNECTION, UNBUNDLING AND RESALE TO BE IMPLEMENTED BY THE STATE REGULATORY COMMISSIONS.

A. The Commission Should Mandate TSLRIC Pricing For Interconnection And Unbundled Network Elements.[2]

The 1996 Act contains specific instructions regarding rates for interconnection and unbundled network elements, requiring that they be "based on the cost of providing the interconnection or network element."[3] Only one costing methodology meets that standard and should be adopted as a national requirement -- total service long-run incremental costing ("TSLRIC"). The Commission recognizes that the majority of economists and parties submitting information in this proceeding favor a long-run incremental approach,[4] and so should dismiss other approaches, such as historic or embedded costs, or price cap regulation.[5]

TSLRIC has undeniable advantages: 1) being a long-run method, it recovers many costs that otherwise would be considered joint and common, thus eliminating the need for litigation over the appropriate allocation methodology for these costs; 2) it ensures that ILECs

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2 Responds to NPRM ¶¶ 126-33.

3 Section 251(c).

4 NPRM at ¶ 126.

5 Price cap regulation allows ILECs to establish rates that depart considerably from cost over time. Moreover, to the extent that price capped rates are originally based on rates established through rate-of-return regulation, they reflect non-cost factors. Adoption of interconnection and unbundled network element rates based on ILEC price capped charges for existing services therefore would not comport with the express directives of the 1996 Act, and would not withstand judicial scrutiny.

receive a reasonable return through its imputation of the cost of capital; 3) it is widely deployed among state regulatory commissions,[6] which have experience in applying this standard, and years of historical TSLRIC cost data from the ILECs; 4) it will establish uniformity and predictability in rates for interconnection and unbundled ILEC network elements nationwide; 5) it obviates a separate policy regarding the application of volume and term discounts to interconnection and unbundled rate elements;[7] and 6) it has been endorsed by the Commission in the past.[8]

In addition to establishing TSLRIC as a national standard, the Commission should establish some broad policy principles that will guide states in their application of the TSLRIC standard.[9] First, the Commission should require that the total cost of unbundled network elements may not exceed the ILEC's lowest rate for unbundled network service. This is an application of traditional "price squeeze" analysis, which has long been employed to ensure that dominant carriers may not set prices for essential facilities in a way that impedes competition.

Second, the Commission should prohibit ILEC practices that result in the discriminatory allocation of joint costs to services purchased by their competitors. Even under a TSLRIC

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6 NPRM at ¶ 127.

7 See NPRM at ¶ 154.

8 *E.g., Interconnection Between Local Exchange Carriers and Commercial Mobile Radio Service Providers*, CC Docket No. 95-185, FCC 95-505, adopted December 15, 1995, at ¶ 47.

9 Responds to NPRM ¶ 130.

methodology, it may be necessary to allocate joint direct costs among classes of service. In such cases, the Commission should require ILECs to demonstrate that they are not allocating a disproportionate amount of such costs to services or network elements purchased by competitive carriers. Such a rule is fully consistent with the nondiscrimination provisions of the 1996 Act, and with recent Commission precedent.[10]

B. The Commission Should Adopt Nationwide Rate Ceilings For Interconnection And Network Elements Under Section 251(c)[11]

Recognizing that the ability to implement TSLRIC pricing may not exist today, the Commission has asked for input on whether it can and should develop rate ceilings, proxies or other measures to ensure cost-based rates. LCI strongly endorses the development of nationwide TSLRIC-based rate ceilings for interconnection and network elements under Section 251(c). If LCI's experience is any indicator,[12] the ILECs will seek to delay, or prevent entirely, the development of TSLRIC rates by conducting flawed or biased TSLRIC studies. It will take months or even years for these studies to be done correctly. In many cases, there is a danger that the studies will never be done correctly, or that state regulatory commissions will adopt above-cost rates as an expedient measure rather than wage the incessant war necessary to force the

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10 The Commission has found unlawful LEC pricing practices that result in the loading of excessive amounts of overhead costs to collocation rate elements. *Local Exchange Carriers' Rates, Terms and Conditions for Expanded Interconnection for Special Access*, 8 FCC Rcd 8344 (1993)

11 Responds to NPRM ¶¶ 126-33.

12 *See* § III(B)(1), infra.

ILECs to comply with Congress' mandate of interconnection and network element rates based on economic costs. It is essential that the Commission adopt mandatory national policies that will prevent the ILECs from gaming the rate-setting process and so enable carriers to enter new markets immediately in reliance upon co-carrier arrangements under Section 251(c) at cost-based rates.

LCI proposes that the Commission direct the Federal-State Joint Board ("Joint Board") to establish mandatory nationwide TSLRIC-based rate ceilings for interconnection under Section 251(c)(2) and network elements under Section 251(c)(3).[13] In order to establish these rate ceilings, the Commission and the Joint Board should seek input from state commissions regarding existing TSLRIC studies or TSLRIC studies which are performed by ILECs in the months following the Commission's order in this proceeding on or before August 8, 1996. The Commission and the Joint Board should then examine the available data for purposes of establishing reasonable maximum TSLRIC-based rates for interconnection and network elements. These rates would apply to all co-carrier arrangements on a nationwide basis unless state commissions, based upon reliable, state-specific TSLRIC studies or other good cause, demonstrate that another rate or rates are more consonant with TSLRIC pricing in their particular states.

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13 47 U.S.C. § 410(c).

In establishing these nationwide rate ceilings, the Commission and the Joint Board should err on the side of establishing the rates too low in order to provide incentives for ILECs to complete meaningful TSLRIC studies. Obviously, if the rate is above an ILEC's actual TSLRIC prices, that ILEC will have an economic incentive to delay submitting a compliant TSLRIC study as long as possible. Therefore, the Commission and the Joint Board should select rate ceiling at the low end of the range of reasonable rates which the existing data support for interconnection or network elements. Further, a state commission should have the flexibility to establish rates for interconnection or network elements below the ceiling without making a good-cause showing, as such rates are presumptively "just and reasonable." This approach will not prejudice ILECs, who are free to conduct a TSLRIC study on a state-specific basis if they wish to seek rates higher than the rate ceilings or the rates established by state regulatory commissions.

LCI believes that the Joint Board should recommend TSLRIC-based rate ceilings no later than November 8, 1996 -- three months after the Commission's order in this proceeding -- with a decision by the Commission promptly thereafter. This timetable will prevent the ILECs from holding the 1996 Act hostage to their inevitable dilatory tactics in providing reliable data from which TSLRIC prices can be derived. Further, state regulatory commissions will be operating under a tight statutory timetable in reviewing the first round of negotiations initiated by carriers and ILECs under the 1996 Act. Under Section 252(b)(4)(C), state regulatory commissions must issue arbitration decisions within nine months of the initial request for negotiations. Hence, the deadline for the first arbitration decisions by state regulatory commissions will be in December, 1996. The Commission and the Joint Board should establish rate ceilings in November, 1996 so that state regulatory commissions can use those rates or seek to make a good-cause showing in support of state-specific TSLRIC rates.

The development of TSLRIC-based rate ceilings for interconnection and network elements in this manner will prevent the ILECs from holding back the 1996 Act by refusing to provide reliable data, and facilitate immediate market entry by existing and new carriers, without derogating the statutory role of state regulatory commissions in approving co-carrier agreements and prescribing "just and reasonable" rates for interconnection and network elements under Sections 251(c) and 253(d)(3). In adopting these rate ceilings, it is imperative that the Commission not rely upon existing access charge rate levels, which are seven to ten times higher than the cost of providing the underlying services. To adopt rate ceilings based upon non-cost based proxies would flatly violate Congress' requirement for rates based on economic costs.

A similar process should be employed to establish maximum wholesale rate levels for ILEC services. LCI discusses this process in § III(C), infra.

III. PROVISIONS OF SECTION 251

A. The Commission Must Find That Long Distance Carriers Are Fully Empowered Under The 1996 Act To Employ Interconnection/Collocation, The Purchase Of Unbundled ILEC Network Elements, Or Resale In Their Provision Of Competitive Services.

The Commission specifically requests comment on the extent to which long distance carriers may obtain interconnection to ILEC facilities under § 251(c)(2). The Commission focuses on the statutory language requiring ILECs to provide to "any requesting telecommunications carrier, interconnection[14] . . . for the transmission and routing of telephone exchange service and exchange access.[15]" The Commission notes that § 251(c)(2)'s reference to "telecommunications carriers" includes long distance service providers among carriers that may request interconnection, but tentatively concludes that the reference to "exchange service and exchange access" excludes long distance carriers, and limits interconnection to those carriers that "offer" local exchange services and exchange access in competition with ILECs.[16] As LCI discusses below, this interpretation of the Act violates established rules of statutory construction, would result in an untenable and unenforceable regulatory regime, and would unreasonably burden long distance service providers, and so must be rejected.

The interpretation of the 1996 Act to defeat a long distance carrier's right to seek interconnection with ILECs is flawed on several grounds. First, such an interpretation is inconsistent with the plain language of the Act. The Commission correctly notes that § 251(c)(2) expressly imbues all "telecommunications carriers" with the right to request interconnection with ILEC networks, and that the term is broadly defined in the 1996 Act to include long distance carriers. Yet, the proposal to interpret "exchange access" to exclude long distance service would negate this language, and effectively would limit interconnection only to parties that are defined

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14 Section 251(c)(2).

15 Section 251(c)(2)(A).

16 NPRM at ¶¶ 160-62.

as "local exchange carriers" under the 1996 Act.[17] Congress expressly defined two categories of non-incumbent service providers in the 1996 Act, "telecommunications carriers" and "local exchange carriers." Because Congress established this distinction, it must be assumed that the use of the term "telecommunications carrier" in § 251(c)(2) was done purposely, and that Congress so intended long distance carriers to be among the carriers that may seek interconnection to ILEC networks. The Commission's proposed interpretation of "exchange access" effectively would transform "telecommunications carriers" into "local exchange carriers." Such an interpretation is patently violative of the established norms of statutory construction, which require the Commission "to give effect, if possible, to every clause and word of a statute."[18]

Moreover, an interpretation of the references to "exchange access" that does not require the negation of the reference to "telecommunications carriers" is readily available. The rates paid by long distance customers include the long distance carrier's cost of obtaining exchange access. Therefore, in providing its service to its long distance customer, the carrier is engaged in "the offering of access to telephone exchange services or facilities for the purpose of the origination or termination of telephone toll service."[19] Thus, there is no inherent

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17 Section 3(44).

18 *Inhabitants of Montclair Tp. v. Ramsdell*, 107 U.S. 147, 152 (1882), *cited with approval, U.S. v. Menasche*, 348 U.S. 528, 538-39 (1955).

19 *See* § 3(16).

contradiction between the definitions of "exchange access" and "telecommunications carrier" that requires the negation of the latter term in § 251(c)(2). Because the terms in that section can be harmonized, and interpreted in a way that does not nullify the use of the term "telecommunications carriers," the Commission is obligated to pursue this construction of the 1996 Act. Conversely, the interpretation tentatively proposed by the Commission would require the nullification of an express term in the 1996 Act, and its adoption would constitute reversible error.

Compelling policy considerations also require the rejection of the Commission's proposed interpretation. By establishing an artificial distinction that would allow local service providers to obtain interconnection, but exclude long distance providers, the Commission would establish strong incentives for long distance carriers to establish affiliates or subsidiaries for the express purpose of obtaining interconnection to ILEC local networks. This would merely impose an additional and unnecessary burden upon long distance carriers, and would further complicate competitive entry. Moreover, a long distance carrier's attempts to qualify for interconnection would surely be opposed by ILECs, and would embroil the Commission and long distance carriers in extensive and wholly unnecessary litigation. Such a result effectively would increase the regulatory impediments to competition, and would constitute a significant barrier to entry -- an outcome that Congress sought to foreclose. Thus, established tenets of statutory construction, and the need to avoid regulatory consequences that are clearly antithetical to the procompetitive goals of the 1996 Act, compel rejection of the Commission's tentative conclusion, and require a confirmation that long distance carriers are fully entitled to seek interconnection to ILEC networks under § 251(c)(2).

B. The Commission Must Prescribe Rules And Standards To Ensure Consistent And Predictable ILEC Compliance With The Obligations Imposed By Section 251(c).

LCI has had extensive experience in dealing with ILECs, both as a customer of tariffed ILEC services and as a party seeking to negotiate billing and collection and other untariffed arrangements. As LCI discusses below, this experience confirms that competition for local services can grow only if the Commission promulgates explicit national regulations governing interconnection, ILEC network unbundling and local exchange resale. Absent a clear and unambiguous statement of competitors' rights, ILECs will continue to use their position as dominant owners of bottleneck facilities to game the federal and state regulatory processes and to delay the implementation of the local competition provisions of the 1996 Act.

1. LCI's experience demonstrates the need for federal standards.

The Commission has tentatively concluded that the establishment of "explicit national rules" governing the implementation of § 251 would have a number of highly desirable results, including: 1) speeding the opening of local markets and the deployment of advanced telecommunications technology; 2) minimizing variation of interconnection, unbundling and resale rules among the states; 3) reducing the capital cost of competitive entry, thereby stimulating competition; 4) improving the negotiating position of competitive carriers vis-à-vis ILECs; and 5) establishing valuable guidelines for the FCC or the courts in cases where they are required to resolve § 251-related complaints.[20] LCI fully endorses the Commission's conclusions in this regard, and agrees that the adoption of detailed rules of national applicability will yield the public benefits cited by the Commission. Indeed, LCI's recent experience with ILECs demonstrates the compelling need for such federal rules.

LCI repeatedly has been subject to unreasonable delays in the provisioning of needed ILEC services, or the attempted imposition of unreasonable terms or conditions by certain ILECs in service negotiations. As cataloged below, these disputes demonstrate that ILECs have the incentive and ability to provide potential competitors with unacceptable service, and to use their superior negotiating position to impose unreasonably burdensome and anticompetitive terms and conditions.

US West's behavior in response to LCI's service requests has been so egregious that LCI was compelled to submit to the United States Department of Justice an application for enforcement of the Modified Final Judgment in an attempt to compel US West to provide LCI with equal access to its network for the origination and termination of interstate calls.[21] In that

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20 NPRM at ¶¶ 26-32.

21 Letter from Robert J. Aamoth to Donald J. Russell, Chief, Telecommunications Task Force, Antitrust Division, U.S. Department of Justice, regarding Waiver Nos. W0217, W0221, W0234, W0235 And All Future Requests By US West For Waiver Of The Interexchange Restriction In Section II(D) Subject To Section VIII(C) Of The Decree, dated October 10, 1995. LCI notes that this application, made under the Modified Final Judgment, remains active under § 251(g) of the 1996 Act, subject to the Commission's jurisdiction.

application, LCI provided affidavits and exhibits demonstrating a pattern of service outages, delays, and errors by US West that effectively denied LCI equal access. Examples include:

> In November, 1994, due to an error by a US West technician who reversed presubscribed IXC entries for LCI customers in the Denver, Colorado, area, over 4,000 LCI customers abruptly had their "1+" service cut off. Service was not restored for hundreds of LCI customers for a week or longer. US West never publicly admitted its fault, and refused to provide letters of explanation to LCI's customers, despite LCI's repeated requests. As a result of the outage, 24% of LCI's customers affected by the outage canceled their 1+ service with LCI.
>
> In the Denver, Colorado and Phoenix, Arizona areas, US West repeatedly failed to turn up new 1+ circuits ordered by LCI within the time to which US West committed. In some cases, circuits were "turned up" as long as two months after US West's promised service date. As a result of these persistent delays, LCI stopped giving new customers firm dates for the delivery of new circuits.
>
> In June 1995, US West blocked all of LCI's 800 traffic originating in Colorado Springs, Colorado. US West did not restore the service for *three days*. To date, US West has failed to disclose the cause of the outage or explain the extraordinary delay in restoring service.
>
> For a period of several weeks beginning in May, 1995, US West inexplicably routed a substantial amount of LCI 1+ traffic to other long distance carriers. As a result, LCI's customers received bills from MCI and other long distance companies for calls that they believed were carried by LCI, at LCI's rates. LCI estimates that approximately *7,000* of its customers have been affected. US West's customer service representatives have compounded the problem by responding to questions by affected customers with statements that LCI is going -- or has gone -- out of business, or otherwise blaming the problem on LCI or the customer. US West has not cooperated in attempts to discover the source and correct the problem, and has not come forward with any explanation

While US West's behavior is particularly egregious, other ILECs have evinced similarly negligent and anticompetitive behavior. The Illinois Commerce Commission ("ICC") recently issued an order in response to bill inserts sent by Ameritech to its Illinois customers. The inserts urged customers to return a form to Ameritech authorizing Ameritech to deny any changes in the customer's "long-distance or other telecommunications service" without special notice to Ameritech. The ICC found that the insert, while ostensibly intended to alert customers to the dangers of service "slamming," was intended to dissuade customers from exercising their right to switch to competitive providers of intraLATA toll service: "[the slamming] insert is discriminatory and anti-competitive in that it establishes unfair and unreasonable barriers to ISC intraMSA competition . . . ."[22] The ICC ordered Ameritech to send out additional inserts educating its customers on the availability of competitive service, and to take other corrective action.

In recent negotiations for billing and collection services, SBC Communications asked LCI to sign a statement that specifically permitted Southwestern Bell to hold LCI to different contractual obligations than applied to SBC's affiliated companies. An excerpt from the proposed SBC contract is appended as Attachment A. When LCI protested this patently discriminatory treatment, SBC argued that, because billing and collection services are unregulated, it is not prohibited under the 1996 Act from discriminating in favor of its affiliates.

Finally, the Commission has found that ILECs have engaged in unreasonable behavior in the context of implementing the Commission's central office collocation rules. In its

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22 ICC, *MCI Telecommunications Corporation v. Illinois Bell Telephone Company*, consolidated docket nos.96-0075 and 96-0084 Apr. 3, 1996, at 10.

three-year investigation of ILEC collocation rates, the Commission found that ILECs have inflated the price of collocation elements by loading an excessive and unreasonably discriminatory level of overheads onto those services.[23] In light of that investigation, the Commission has correctly noted that, "in the past, disputes before the FCC between LECs and interconnectors have arisen most often where our rules lacked specificity, or where no standards had been adopted."[24]

LCI's experience, and actions taken by the Commission and numerous state regulatory bodies, make clear that: 1) ILEC control over essential bottleneck facilities gives them enormous power; 2) ILECs have the ability to severely disrupt competitors' operations and to damage their reputations; 3) competing carriers have no leverage in establishing reasonable rates and terms for interconnection, unbundled loop elements, or resale; 4) ILECs have gamed the regulatory processes of the Commission and the state regulatory commissions for years; and 5) in the absence of explicit rules defining reasonable practices and rates, competitive carriers are forced to engage in ad hoc litigation that drains their resources (and those of the respective regulator) and typically takes years before relief can be obtained. The Commission is correct in its conclusion that the establishment of detailed, nationally-applicable standards will provide competitive carriers with leverage in negotiating interconnection and service arrangements with

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23 *Local Exchange Carriers' Rates, Terms and Conditions for Expanded Interconnection for Special Access*, 8 FCC Rcd 8344 (1993).

24 NPRM at ¶ 50 & n.69.

ILECs, and will reduce the cost and facilitate the implementation of competitive entry. Below LCI discusses the rules and standards that the Commission should adopt.

2. The Commission must define minimum standards for ILEC <u>interconnection and network unbundling.</u>[25]

The Commission should require that ILECs unbundle their networks into a minimum of five basic elements: local loop, local switching, transport, signaling, and operational systems, and necessary subelements, as described herein. The local loop should be further unbundled into separate distribution and feeder elements, and interconnection should be required at any point of aggregation along the loop.[26] Multiplexing in the local loop, whether performed by digital loop carrier, digital cross-connect systems, or other equipment, should be offered as a separately rated element, as it currently is for central office multiplexing. Moreover, ILECs should be required to negotiate the establishment of meet-point interconnection at other points along the loop, in response to requests from competitive carriers. Finally, interconnection should be provided at the network interface (the device that forms the demarcation point between an ILEC's loop and a customers inside wire). This level of unbundling will promote the deployment of loop facilities by facilities-based carriers, and will ensure that resale carriers will have a choice of providers of terminating transport.

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25 Responds to NPRM ¶ 77, et seq.

26 Responds to NPRM ¶ 77, 95, 97.

Local switching should be unbundled into discrete switching *functions* -- the mere establishment of a switch port is not adequate to allow competitive carriers to construct their own service offerings from resold components.[27] At a minimum, such functions as vertical features, dialtone, numbers and number translations, call supervision, billing name and address data, digit translation, Centrex, carrier identification code portability capabilities, and announcements are all essential components of the switching function that ILECs should offer both separately and on a bundled basis. In addition, competitive carriers must obtain the ability to designate trunk assignments for the termination of traffic. Finally, access to emergency services databases, toll-free and local number portability databases, operator services and directory services must be made available.

Signaling is a particularly *critical* element of the network, and will become increasingly important as the advanced intelligent network evolves. Access to Signaling System 7 ("SS7") networks is *critical* in this respect, and the Commission must ensure access to such SS7 network functions as the Message Transfer Part, Signaling Connection Control Part, and Operations, Maintenance and Administration Part. Of similar import is unmediated access at ILEC Signaling Transfer Points, Signaling Control Points, and access to adjuncts, Internet Protocol, SMS, SSP and SCE platforms. Such access is essential to permit competitive carriers to offer a full range of advanced services, to eliminate unnecessary cost, and to reduce post-dial delay experienced by competitive carriers' customers. The unbundling of such platforms can be

27 Responds to NPRM ¶ 107-16.

done without risks to the ILECs' network security. Moreover, it is fully consistent with Bellcore standards, as reflected in a Bellcore technical publication:

> The AIN Concept has grown out of the long-recognized need for an environment which allows better coordination of both service creation and operations support. By establishing these platforms separately from the switching machines, companies should have more latitude to customize services and to be more responsive to customer needs.[28]

The Commission should therefore require plenary unbundling of the signaling functions discussed above.

Finally, the Commission should require that all ILEC services and unbundled network elements may be purchased separately or together, and that competitive carriers may not be restricted in their ability to bundle ILEC network elements in assembling their own service offerings. Such a requirement will maximize customer choice. It will also enable competitive carriers to purchase different network components from ILECs and from facilities-based carriers, thereby promoting network investment and innovation.

3. The Commission must prescribe performance standards for the provision of ILEC services, and penalties for failure to meet them.

The NPRM solicits comment on whether the Commission should establish national performance standards in order to enforce the nondiscrimination requirements of § 251(c)(2)(D) and § 251 (c)(3) for interconnection and access to unbundled network elements.[29]

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28 Bellcore Technical Publication SR-BDS-000828 Issue 7, at § 1-2.

29 NPRM at ¶¶ 61, 91.